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ANNUAL REPORT

Alberta Motion Picture Development Corporation

91-01543/

ALBERTA MOTION PICTURE DEVELOPMENT CORPORATION

INTRODUCTION

Since 1982 Alberta film and television producers have been 'banking on', and with, the Alberta Motion Picture Development Corporation.

The Corporation, with a mandate to financially assist the growth and development of the motion picture industry in Alberta, has been a positive force in enabling producers and production companies to realize their potential in this international business.

To date, the prime means of meeting this mandate is the Corporation's Development Loan financing program. Alberta production companies can make application to borrow up to 60% of a film or television project development budget. These interest bearing loans are to be repaid on the first day of photography of the picture.

Over forty Alberta companies have accessed the Development Fund program. Many of these Alberta companies were newly created to take advantage of the expanding domestic and international opportunities available to independent motion picture production firms.

AMPDC now administers a development loan portfolio of some 71 projects with budgets totalling approximately 3.9 million dollars.

Access to financing for this high-risk development stage of motion picture production continues to be critical to the success of the Alberta production industry. AMPDC will continue to place an emphasis on this facet of making pictures in its expanding range of financing programs.

The Alberta Motion Picture Development Corporation is proud of the success of Alberta film makers and is pleased to contribute to the growth of this industry.

CHAIRMAN'S MESSAGE

Edmonton, July 12, 1988

The Honorable Mr. Larry R. Shaben
Minister of Economic Development and Trade
Edmonton, Alberta

In accordance with the provision of Section 9 of the Motion Picture Development Act 1981, I have the honour to present to you, on behalf of the Board of Directors, the sixth Annual Report of the Alberta Motion Picture Development Corporation, as well as the financial statements for the year ended March 31, 1988.

It was a year of transition for the AMPDC, as detailed in the President's Report. Corporate offices were relocated from Canmore to Edmonton and a branch office was created in Calgary to better serve our clients. New clerical and project administrative staff were hired and the Corporation prepared for new legislation to expand its mandate and services.

Now, poised to meet the challenges of 1989 and beyond, Alberta's motion picture industry will be quick to respond to the additional financing programs proposed by the Corporation.

The Alberta Government's contribution is vital and appreciated. It is providing for a financial soundness in this industry which is reflected in the economic stability of the numerous production companies located in our province.

Alberta Motion Picture Development Corporation is pleased and proud, through its role as a development financier, to support the business and creative goals of Alberta's motion picture producers.

Orville Kope
Chairman

PRESIDENT'S REPORT

1987-88 has been an active and invigorating year for the AMPDC, calling forth extra efforts from the staff, Board and Advisory Committee. New activities included moving the office from Canmore to Edmonton, replacing our staff complement, gearing up for new legislation to expand our mandate, and contending with a new organizational structure and staff at our Federal counterpart — Telefilm Canada — and becoming conversant with new film finance agencies in British Columbia and Manitoba.

Office Relocation

After five years of operating out of Canmore, the Corporation undertook a major assessment of our office location and concluded that the advantages we brought the Canmore community did not begin to outweigh the disadvantages of being outside a major population centre, and recommended to the Government that the Corporation be moved to Edmonton. The Government accepted that recommendation and authorized the relocation November 1, 1987.

The actual move went well, with little disruption to program and services. While we experienced much regret at leaving the beautiful and tranquil Bow Valley, and the people of Canmore were quite understandably disappointed to lose the office, the wisdom of moving was quickly demonstrated through a fivefold increase in office consultations with clients, potential clients, news media and others. Significant operating cost reductions were immediately experienced as well.

Staff Changes

Concurrent with the relocation, our Vice President Caryl Brandt left to become Executive Director of the National Screen Institute, a Canadian professional development and training institute for new filmmakers.

Garry Toth, a Calgary filmmaker, replaced Caryl as Director of Projects and Public Affairs. Fifteen years experience as a filmmaker (two years as a member of our industry Advisory Committee), and being a member of the Board of Directors of the Alberta Motion Picture Industries Association and Chairman of the Government of Alberta Student Film Scholarship Awards means that Garry brings a great deal to our organization. His specific duties are project application evaluation, project maintenance, and public relations and publicity. He acts, as well, as second in command to the President.

Our Canmore financial officer was replaced by Kandi Roberge, previously employed in the hospitality industry with a major Edmonton hotel.

Cori Stent, educated and trained in theatre, took over our administrative and clerical tasks. She came to AMPDC from administrative work at the Alberta Motion Picture Industries Association and the National Film Board of Canada.

We are pleased with the current staff complement and feel fortunate we were able to retain the services of such excellent people on short notice and during the disruption of the relocation.

Calgary Office

Concurrent with the relocation to Edmonton, we established a Calgary branch office in order to better service the southern part of the Province. A staff member spends at least one day a week at the Department of Economic Development and Trade offices in Calgary.

Equity Fund, New Mandate and Sunset Clause

As described elsewhere in this report, when established in 1981, the AMPDC was limited to debt financing of Alberta film projects, from a fund of $3 million. Our term was to expire on March 31, 1989. While our resources have proved to be a boon to the Alberta film industry, developments over the past couple of years reduced our effectiveness and demonstrated the need for greater capability, in order to help our filmmakers compete with their counterparts in other provinces. Those developments include: the creation, by five provinces, of film financing institutions similar to the AMPDC but with investment capability and with much greater funds; the removal of film investment tax shelter provisions from the Income Tax Act; and a more than tenfold increase in federal funding for film production through Telefilm Canada. Additionally, we have experienced a dramatic rise in demand for Canadian television programming resulting from increased CRTC Canadian content requirements and an increased market demand for film due to burgeoning home video and pay TV use both at home and abroad.

Responding to these changes, the Government of Alberta, through the Honorable Larry Shaben, Minister of Economic Development and Trade, asked us during the year to prepare materials required for presenting legislation to the spring 1988 sitting of the Legislature.

A goodly portion of time and energy went into preparing for the new legislation and, while not passed into law by year end, the Motion Picture & Development Amendment Act was given royal assent May 27, 1988.

Bill 11 broadens our financing capability to include investing funds in the actual production and distribution of motion pictures, increases our funding to $10 million, and removes our 1989 sunset clause.

On behalf of the film industry, we extend our appreciation to the Honorable Mr. Shaben and the Government for their recognition that our industry is capable of making a significant economic contribution to the people of Alberta within the government's economic diversification programs. We truly believe their investment will be returned many fold.

Telefilm Canada

As noted, our Federal counterpart has experienced a tenfold increase in funding and operations in the past few years. That has meant growth pains which culminated during the year in an almost complete staff changeover and restructuring at Telefilm Canada. Unfortunately, this coincided with very major program redirections from the Federal government and, as we are closely linked with this agency as co-financiers, these circumstances meant an increased amount of time directed to consultations, briefings and introductions.

The new Telefilm programs dictated by the Government of Canada include Canadian film distribution legislation, establishment of a fund to assist Canadian distributors acquire and distribute Canadian films, new funds to assist production of non-theatrical films and low budget regionally produced films, and amendments to the Television and Radio Broadcast Act.

As mentioned, this year saw the creation of new provincial film financing agencies in British Columbia and Manitoba. To a large extent, these funds are a direct response to the competition their filmmakers were experiencing from Alberta filmmakers. In turn, we expect significant impact on Alberta, from B.C. particularly, in competition for funding, markets and personnel. In this respect, we are gratified to have our mandate and funding increased in the coming year.

Marketing

In spite of a busy year, we maintained our support to Alberta filmmakers at international film and television marketplaces, including the National Association of Television Program Executives' conference in Houston, the Banff International Television Festival market, the International Television Market (MIPTV) in Cannes, Festival of Festivals in Toronto, the World Film Festival in Montreal and the American Film Market. Each year, Alberta attendance at these markets increases to the point where Albertans are now considered international players in the film and television industry. Obviously, as the amount of product increases in number and quality that market acceptability will solidify.

Programs

While 1987/88 proved to be transitional for AMPDC, we anticipate that the forthcoming year will be rewarding as a result. We expect four to six projects will go into production during the year, with budgets in the order of 10 to 15 million dollars. These projects will include three feature films, two television movies and one television series. Of significance in economic terms, this production will bring in over 75% of its financing from outside the province.

I wish, in closing, to take this opportunity to thank our staff. They have without exception risen to the occasion when presented with the many challenges of the past year. The Board of Directors as well faced challenges. The relocation, new legislation and federal consultations meant a sharply increased work load, reams of printed material to read and analyze, and a doubling of the number of meetings (often on short notice). It has been a pleasure to work with them throughout. Finally, I would like to extend particular appreciation to the Honorable Mr. Shaben and his department staff. Communication and consultation were extensive during the year and their understanding of our endeavors helped us meet our challenges successfully.

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ALBERTA MOTION PICTURE DEVELOPMENT CORPORATION

BOARD OF DIRECTORS

ADVISORY COMMITTEE

BOARD OF DIRECTORS
as at March 31, 1988

ORVILLE KOPE
Chairman
Retired
Radio & Television Executive
Medicine Hat, Alberta

HELEN HAMMOND
Corporate Partner
Foster Research
Calgary, Alberta

REX LITTLE
Chartered Accountant
Lethbridge, Alberta

THOMAS PEACOCKE
Professor of Drama
University of Alberta
Edmonton, Alberta

JOHN RITCHIE
Senior Vice-President, Marketing & Sales
InvestMet Financial Corporation
Edmonton, Alberta

ADVISORY COMMITTEE
as at March 31, 1988

ARVI LIIMATAINEN*
Chairman
Partner
Kicking Horse Productions Ltd.
Edmonton, Alberta

GEORGE CHRISTOFF
President
Filmwest Associates Ltd.
Edmonton, Alberta

DOUG MACLEOD
Partner
Bradshaw/Macleod & Associates Ltd.
Calgary, Alberta

SHARON POLLOCK
Writer
Calgary, Alberta

SHARON RIIS*
Writer
Lac La Biche, Alberta

ALLAN STEIN
President
Stein/MacLean Productions Ltd.
Edmonton, Alberta

WAYNE SKENE
Regional Director, Alberta
Canadian Broadcasting Corporation
Edmonton, Alberta

HELENE B. WHITE
President
HBW Film Productions Inc.
Calgary, Alberta

*ended term on Committee

ALBERTA MOTION PICTURE DEVELOPMENT CORPORATION
AUDITOR'S REPORT

ALBERTA LEGISLATURE

OFFICE OF THE AUDITOR GENERAL

To the Board of Directors of the
Alberta Motion Picture Development Corporation

I have examined the balance sheet of the Alberta Motion Picture Development Corporation as at March 31, 1988 and the statement of operations for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1988, and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting, considered appropriate in the circumstances, as described in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Donald D. Salmon, C.A.
Auditor General

Edmonton, Alberta
June 15, 1988

ALBERTA MOTION PICTURE DEVELOPMENT CORPORATION

BALANCE SHEET

AS AT MARCH 31, 1988

	1988	1987
ASSETS		
Operating Fund		
Cash	$ 16,967	$ 27,601
Accounts receivable	8,773	3,048
Fixed assets (Note 3)	78,645	109,993
	104,385	140,642
Loan Fund		
Cash	96,771	108,491
Loans to producers of motion pictures and television pilots (Note 4)	1,194,096	945,215
	1,290,867	1,053,706
	$1,395,252	$1,194,348
LIABILITIES		
Operating Fund		
Accounts payable	$ 13,592	$ 13,534
Due to the Province of Alberta (Note 5)	12,148	17,115
Equity in fixed assets	78,645	109,993
	104,385	140,642
Loan Fund		
Due to the Motion Picture Development Fund (Note 6)	1,290,867	1,053,706
	$1,395,252	$1,194,348

The accompanying notes are part of these financial statements.

ALBERTA MOTION PICTURE DEVELOPMENT CORPORATION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
Salaries and employee benefits	$155,950	$161,507
Promotion, marketing and travel	92,416	84,704
Office rental	27,655	37,783
Equipment rental and repair	20,931	16,101
Advertising	19,644	16,628
Professional fees	19,018	28,787
Supplies and services	16,188	24,972
Telephone	11,837	12,467
Fixed assets	10,682	1,428
Honorariums - Board and committee members	9,770	13,528
Other	7,779	6,114
	$391,870	$404,019
Contribution by the Province of Alberta (Note 5)	$391,870	$404,019

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Authority

The Alberta Motion Picture Development Corporation operates under the authority of the Motion Picture Development Act, Chapter M-19.1, Statutes of Alberta 1981.

On May 27, 1988 the Motion Picture Development Amendment Act, 1988 came into force. The main impact of the Amendment Act is to:

- permit the Corporation to operate beyond March 31, 1989, the previous expiry date;
- increase the advances available from the Motion Picture Development Fund to $10,000,000 from $3,000,000; and
- expand the Corporation's powers to include making investments.

Note 2 Significant Accounting Policies and Reporting Practices

a) Basis of Accounting

These financial statements have been prepared in accordance with generally accepted accounting principles except that fixed assets, consisting of leasehold improvements and furniture and equipment, are charged to operations in the year of acquisition. The balance sheet also shows, for information purposes, the cumulative amount of such expenditures in respect of all fixed assets presently owned with a corresponding credit shown as equity in fixed assets.

b) Fund Accounting

The Alberta Motion Picture Development Corporation receives funding from different sources. It is the Corporation's policy to keep these funds segregated by purpose and to report the assets and liabilities of each fund separately on the balance sheet. The two funds are:

i) an operating fund which receives operating grants from the Department of Economic Development and Trade of the Province of Alberta to pay the operating expenses of the Corporation.

ii) a loan fund which receives advances from the Motion Picture Development Fund, interest earned on loans to producers and bank interest earned on unutilized advances. These amounts are used to make advances to producers of motion pictures and television pilots.

c) Changes in Financial Position

A statement of changes in financial position is not provided as disclosure in these financial statements is considered to be adequate.

Note 3 Fixed Assets

Fixed assets consist of:

	1988	1987
Furniture and equipment	$74,684	$ 77,092
Leasehold improvements	3 961	32,901
	$78,645	$109,993

Note 4 Loans to Producers of Motion Pictures and Television Pilots

These loans are limited to 60% of the total funds required during the pre-production stage. For a television series, the pre-production stage includes the cost of producing the pilot.

	1988	1987
Loans and interest due from producers at beginning of year before allowance for non-recovery	$2,688,799	$2,567,613
Add:		
Loans advanced in year	335,310	333,202
Interest earned in year	248,527	252,437
	3,272,636	3,153,252
Deduct:		
Loans repaid by producers	7,568	40,943
Interest received	28,375	23,700
Loans and interest written off	365,523	399,810
	401,466	464,453
	2,871,170	2,688,799
Deduct:		
Allowance for non-recovery of loans and interest	1,677,074	1,743,584
Loans and interest due from producers at end of year	$1,194,096	$ 945,215

The allowance for non-recovery of loans and interest is determined by applying a formula which in management's opinion reflects the high financial risks faced by producers and financiers during the pre-production stage of making motion pictures and television pilots.

Note 5 Due to the Province of Alberta

Operating expenses of the Corporation are paid by the Province of Alberta. The unexpended portion of the Province's contribution and the interest earned on the operating advances are due to the Province.

	1988	1987
Balance at beginning of year	$ 17,115	$ 14,744
Cash received during the year	383,900	404,100
	401,015	418,844
Operating expenses for the year	391,870	404,019
	9,145	14,825
Interest earned	3,003	2,290
Balance at end of year	$ 12,148	$ 17,115

Note 6 Due to the Motion Picture Development Fund

	1988	1987
Due to the Fund at beginning of year before allowance for non-recovery	$2,797,290	$2,853,420
Add:		
Advances in year	277,779	256,000
Interest earned in year on loans to producers	248,527	252,437
Other interest income	6,208	12,700
Fixed asset disposals	3,660	–
	3,333,464	3,374,557
Deduct:		
Loans and interest due from producers written off	365,523	399,810
Repayments of advances by the Corporation	–	177,457
	365,523	577,267
	2,967,941	2,797,290
Deduct:		
Allowance for non-recovery of loans and interest due from producers	1,677,074	1,743,584
Due to the Fund at end of year	$1,290,867	$1,053,706

At its inception, the Fund was advanced $3 million which, together with interest thereon, was available to the Corporation for making loans to producers. Loans written off by the Corporation together with the allowance for non-recovery, reduce the liability of the Corporation to the Fund.

At March 31, 1988, there was a balance of approximately $1.82 million remaining in the Fund which was available to the Corporation for making loans to producers of motion pictures and television pilots.

Note 7 Commitments

At March 31, 1988 the Corporation was committed to making loan advances of $384,321 (1987 $484,530) to producers of motion pictures and television pilots.

Note 8 Comparative Figures

The 1987 figures have been reclassified where necessary to conform to 1988 presentation.

Note 9 Approval of Financial Statements

Management reviewed these financial statements and recommended their approval by the Board of Directors.